FOREIGN AGRICULTURE

November 29, 1976

...g apples and pears, Australia

• Livestock in Central America and Mexico

• U.S. Farm Exports —Prospects and Problems

Foreign Agricultural Service
U. S. DEPARTMENT OF AGRICULTURE

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This week's cover:

More than 8,000 cases of apples and pears can be sorted and packed daily on this semiautomated line at Shepparton, Victoria, in the heart of Australia's deciduous fruit area. To promote export of fruit and other commodities, the Australian Government is stepping up its assistance programs. **See report, p. 8.**

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Livestock Prospects Mixed In Central America-Mexico

By ALAN K. HEMPHILL
Foreign Commodity Analysis, Dairy, Livestock, and Poultry
Foreign Agricultural Service

LIVESTOCK producers in much of Central America and Mexico may be hard put to maintain their exports in the future as a result of raising domestic demand and agrarian reform programs that may discourage cattle raising. However, two nations there—with output and exports on the rise—are bucking the trend and all of the countries will probably attempt to hold onto as much of their current share of the U.S. beef market as possible in view of the hefty foreign exchange earnings to be gained.

The five Central American countries—Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica—and Mexico are important exporters of fresh and chilled beef and veal to the United States. During 1976, their combined shipments here are expected to reach 110,000 metric tons, about 19 percent of total meat imports subject to the U.S. Meat Import Law. This law limits imports of fresh or chilled beef, veal, mutton, or goat meat to countries free of foot-and-mouth disease. It provides for quotas to be triggered when meat imports exceed certain prescribed levels and while attempts were made to limit beef imports by use of voluntary restraint agreements in 1976, quotas have recently been implemented. To date, three countries—Costa Rica, Honduras, and Panama—have reached the limit for exports to the United States under the law. Within the region, cattle industry prospects vary widely. For instance:

• Agrarian reform programs in Honduras, El Salvador, and Panama could possibly lead to widespread herd liquidations, with attendant short-term gains in beef production followed by sharply reduced output.

• Production is rising in Costa Rica and Nicaragua, and they will probably have more beef for export soon.

• Rapidly rising beef consumption in Mexico is likely to make that country more dependent on beef exports unde the Maquila program, whereby U.S cattle are imported and slaughtered an the meat exported to the United States

• Guatemala faces relatively stati output of beef, in part because of shift of the livestock industry awa from the traditional southern area t pioneer northern areas where concep tion rates may be lower and losse higher during the first few years on th new ranches. This shift will, however alleviate the problems Guatemala ha had with pesticide residues in cattl raised on or near cotton-growing areas

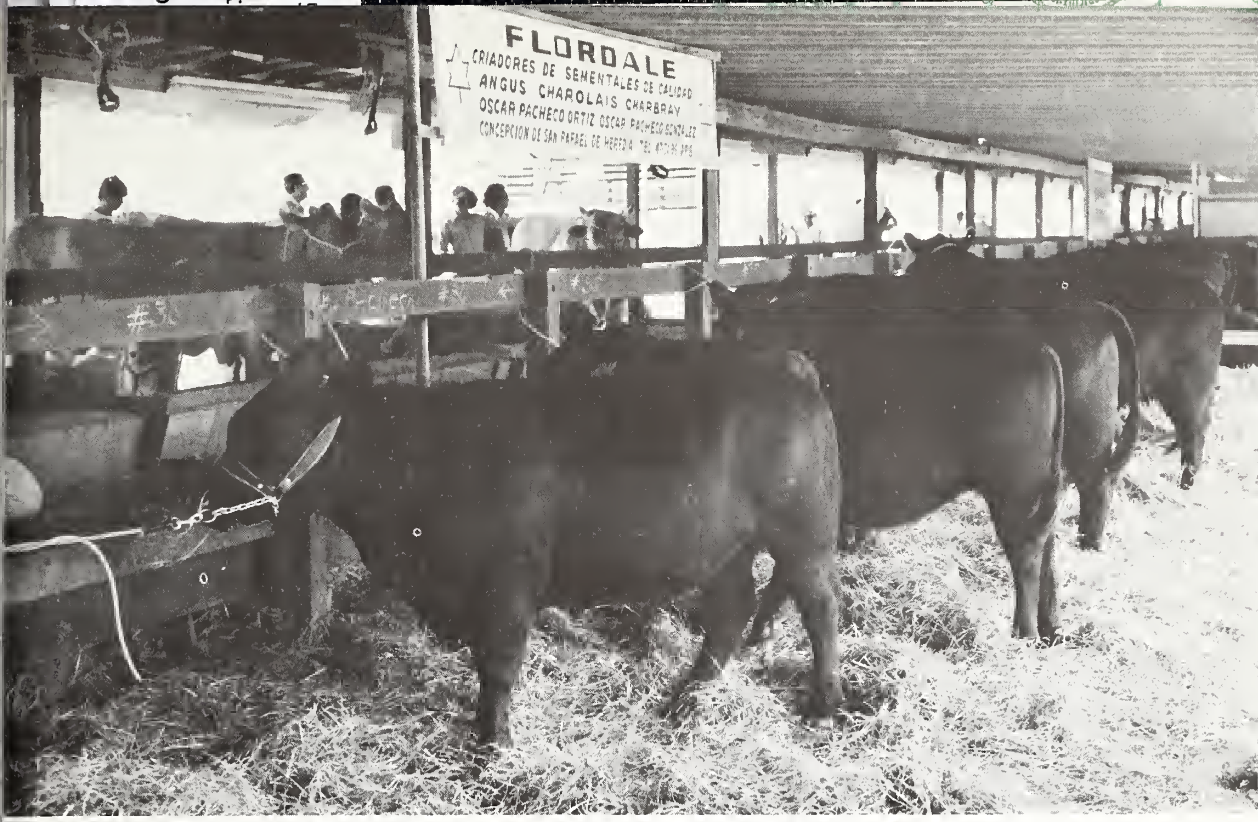
Mr. Hemphill traveled to the region during June and July of this year to assess the production and export potential of its livestock industries.

Mexico. There is considerable movement of cattle and beef across the U.S. Mexican border as feeder calves mov from Mexico to the United States fo fattening. Slaughter cattle move fror the United States to Mexico, and bee moves both ways, but with a large ne movement from Mexico to the Unite States. Only those Mexican slaughter houses that are federally inspected ar approved for export. They are currentl exporting beef to the United States pork and beef to Japan, and horsemea to Europe.

Discussions with cattlemen abou long-range production and consumptio trends reveal their belief that Mexica beef output may expand as fast a domestic demand, but other sources ar dubious. Consumption of beef has bee rising rapidly. Increases of up to 15 per cent a year for the last 6 years ar reported by some sources, who—wit the continued Government emphasis o consumption of all types of meats— expect it to continue increasing rap idly. (Current yearly per capita con sumption levels are 19.4 kilograms f beef, 7.7 for pork, and 4.6 for poultry

During 1976, Mexico is expected t ship the United States 23,500 tons o beef and veal. This compares wit 14,000 tons in 1975.

Guatemala. Beef exports from Guat mala during the next few years w probably increase little, if any, sin



Clockwise from top: Angus yearlings waiting to be judged at agricultural show near San José, Costa Rica; Brahman breeding cattle on pasture in Honduras, a typical scene throughout Central America; and Santa Gertrudis bulls in Guatemala.

he shift in cattle raising there will limit roduction and exports.

Currently, 60 percent of the cattle ndustry is in the south of Guatemala vith 10-15 percent in the north and he rest in the central area. However, anchers are beginning to establish herds n the north, and some sources predict his will cause the current shares held y the north and south to reverse in he next 15-20 years.

The change will alleviate some of the problems found in the south. These include competition for the land from cotton and sugarcane and pesticide residue in the beef from the close proximity to cotton areas where pesticides are used.

Some sources say that when U.S. import prices range between 65 and 68 cents per pound it is as profitable to sell beef within Guatemala as in the United States, even though the official domestic price limit is 45 cents per pound. This is because an unofficial agreement between the cattlemen and the butchers-retailers permits payment of different prices for different weight animals with some payments exceeding the domestic price limit. In addition, exports are subject to taxes on deboning, packing, shipping, and other costs associated with exporting. These taxes

are 4 cents for meat sold for up to 71 cents per pound, 10 percent for that between 71 and 80 cents, and 15 percent for that between 80 and 85 cents.

Honduras. Agrarian reform is creating uncertainties for Honduran cattle producers. The ultimate impact on cattle raising will hinge on how strictly the Government enforces the law. The law limits landholdings to 2,000 hectares in virgin undeveloped lands, 1,500 in mountainous areas, 1,000 in the plains areas, and 500 hectares of irrigated lands. As a part of the agrarian reform program, producers are encouraged to form farm associations or cooperatives patterned after such operations in Peru.

Some ranchers already have responded to the program by selling their breeding cows after their calves are weaned; pasturing and selling the calves as steers, and then by diverting their land to sugarcane or another crop.

Most sources feel that if the Agrarian Law is enforced, slaughter will be heavy for the next 2-3 years and then Honduras will be out of the export business. They note that the Government needs the foreign exchange from beef but considers agrarian reform to be an important part of its total program. Some sources do feel, however, that the Government will take steps to keep exports near their current level. For 1976, this is estimated at over 16,000 tons, with almost all moving to the United States, compared with about 16,000 tons in 1975, all of which went to the United States.

El Salvador. As in Honduras, a recently announced agrarian reform law could impede growth in the livestock industry here. Again, this could lead to short-term gains in exports as farmers sell off their breeding herds, followed by a sharp decline in shipments.

In addition, pesticides are occasionally showing up in beef for export. This is most likely the result of cattle grazing on cottonstubble, being fed cottonseed meal, or pasturing near and/or downstream from cottonfields. To correct the problem, the slaughter plants that export are attempting to use cattle from areas removed from cotton growing areas. But because of the limited land area in El Salvador, this will not be easy.

Total cattle numbers in El Salvador as of September 1974 were 1.04 million head. Beef production in 1976 is estimated at 30,200 metric tons, carcass weight, and exports at 5,170 tons, product weight—all of which are moving to the United States.

The Ministry of Agriculture in El Salvador is stressing artificial insemination of cattle—both dairy (Brown Swiss and Holstein) and beef (Brahman, Charolais, and Angus). Most of the bulls used in the program were imported from the United States.

Nicaragua. This country probably will fill its 1976 voluntary quota to the United States—22,000 metric tons—before the end of the year since high prices pulled large numbers of cattle to slaughter during the dry season. Some beef could be available for export in the last quarter, which would be above the quota quantity. As a result, consideration has been given to processing the beef for export after the quota level is reached.

Producers in Nicaragua indicate the yearly increase in cattle numbers could range from 3 to 10 percent, with 8 percent most often mentioned. The size of the national herd also will be affected by the movement of cattle from Nicaragua to Costa Rica and from Honduras to Nicaragua, with the latter possibly accentuated by the Honduran land reform program.

"Agrarian reform programs in Honduras, El Salvador, and Panama could possibly lead to widespread herd liquidations. . . ."

Nicaragua has several new slaughterhouses under construction or recently opened. These are expected to request permission to export in order to gain the fastest possible return on their investments.

Costa Rica. Beef producers here foresee a gradual growth in production. The Government is starting some programs to encourage beef consumption, but these appear to be more for soupbones and other byproducts rather than for beef cuts and are largely destined for areas that have not been consuming meats. One impediment in the program has been a lack of refrigeration in many of the towns and villages involved and the consequent need to furnish refrigeration before beef consumption could increase.

The Government also is attempting t develop markets outside the Unite States—some shipments have been mad to Venezuela, Sweden, and a 5-million pound sale to Israel reportedly has bee concluded. However, since prices i such markets are lower than in th United States, there is less incentive t push these sales.

Estimates of beef available for expo from Costa Rica range from 63 millio pounds to 70 million. However, if ex port prices continue low—especiall with the lighter weight cattle and goo pastures, and with exports to the Unite States stopped because they reache their voluntary restraint level—the esti mate could decrease. How much is ac tually produced will depend on whethe farmers are willing to sell cattle at some what lower price levels or decide to hol them on pasture.

An agreement to ship 25,000 heife to Venezuela has been formulate which will have both an immediate an longer term effect on production an trade.

Panama. The cattle industry in Pa ama has been relatively stagnant ove the past few years. Beef production ha risen somewhat due to increased eff ciency. As with some other countries i Central America, agrarian reform ha the ranchers too nervous to invest in an major capital expenditures, while reta price ceilings for beef have been a fu ther disincentive. As a result, sizab quantities of pasture have moved int crops—particularly sugarcane and o palms.

Exports of beef by the country are e pected to total about 4,000 metric to in 1976, compared with 2,700 the ye before, with about 60 percent of th moving to the United States.

Panama has also recently started shi ping a number of breeding heifers a bulls to Venezuela. This trade has ju begun, but about 750 head are expecte to be shipped during 1976.

Despite the generally pessimistic ou look for Panama, some sources feel th production will have to expand if t Government is to meet its goal of boo ing meat consumption. They reason th as consumption moves up, the Gover ment will have to raise meat prices encourage output. Unless the econon weakens and consumption falls, ho ever, the availability of meat for exp probably will decline.

Prospects, Problems For U.S. Farm Trade

By DAVID L. HUME, *Administrator Foreign Agricultural Service*

IN THE PAST 5 YEARS a New Dimension has become apparent in American agriculture. In this short time, world needs have become "built in" to American agriculture in a way that is new, important, and irreversible.

Farm exports were trending upward at the turn of the 1960's, but the most extraordinary changes have come in the past 5 years:

- U.S. agricultural exports have almost tripled in value, grown 75 percent in volume. In the coming year, we expect another new record in export value—something above this year's $22.15 billion. It will be the fourth straight year that U.S. farm product exports will have exceeded $21 billion. In 3 of those 4 years, U.S. export volume has been near 100 million tons.
- The United States accounted for 23 percent of the world's production of wheat and feedgrains—and for 47 percent of the world's exports. It is evident that without the American farmer's ability to respond to demand the world would have been in a poor position to find enough food during the past 5 years.
- There have been major geographic shifts in U.S. export markets—toward Asia, the Middle East, and Communist countries. In the past 3 years, Asia (not including any of the USSR) has taken 36 percent of U.S. farm exports—more than Western Europe, which has lagged in its growth as a market, mostly because of protectionism in the European Community.
- The USSR has become a part of the world agricultural community. Perhaps the most dramatic development of the 1970's was the decision of the centrally managed economies to upgrade the diets of their populations. The USSR's ninth Five-Year Plan for 1971-75 established very ambitious livestock production goals. Commitment to these planned goals was convincingly demonstrated when the Soviets encountered severe grain production shortfalls in 1972 and 1975 and entered the world market for exceptionally large quantities of grain. The United States now has a 5-year agreement with the USSR calling for annual sales of corn and wheat at a minimum of 6 million tons.
- The People's Republic of China has moved increasingly into the world economy, although U.S. agricultural trade with that nation is small at the present time. Since the recent death of Mao, emphasis on economic issues is moving to the fore. The new heir-apparent, Hua Kuo-feng, was formerly an agricultural expert in one of the provinces before coming to Peking; the number two position may go to a former finance minister. Western economists visiting in China report that the current 5-year plan may be undergoing revisions with an eye to increased foreign trade. A recent broadcast from China used the slogan, "Resume and expand international trade."
- There is new competition for the traditional exports of American farmers. A few years ago, 90 percent of the soybeans in world trade were produced on American farms; today the proportion is still above two-thirds, but Brazil has moved in as a major competitor. Palm oil development, especially in southern Asia, has become a major competitor in world vegetable oil markets, and the United States has modified its attitude toward liberal support of palm oil development through international credit agencies.

Not all of these developments are on the positive side. Some pose problems as well as opportunities. But all are elements in the reality of today's American agriculture. They are a New Dimension in the outlook for U.S. farmers.

Moreover, this is a growing dimension—the events that contribute to this New Dimension are not transitory. The trends they have set in motion will not subside. World economic growth will not halt. The developed nations will not abandon their industrial growth. The centrally directed economies will not abandon their commitments to better living for their people. The developing countries will not abandon their expectations.

These prospects are real. They will bear upon U.S. agriculture, upon the U.S. Department of Agriculture, and upon domestic farm policy in this country. This is entirely evident when you consider the changes of the last 5 years—and American agriculture's success in meeting these changes.

Agricultural trade, however, still operates in a larger world—the world of nations concerned about their sources of supply, about protecting their producers from competition, even about the potential misuse of food as a weapon of blackmail in international crises. The nations of the world have made a great deal of progress in recognizing the mutual advantage they receive from trade, particularly from farm trade. But we still have some distance to go in accomplishing the free trade objectives that have been the hallmark of this nation's foreign policy throughout the postwar period.

For American producers, able to produce abundantly and efficiently, the key question is access to foreign markets during periods of abundant supply as well as in periods of short world supply. This is the overriding issue that brought us into the Multilateral Trade Negotiations now going on in Geneva. It is the motive for most U.S. actions in the General Agreement on Tariffs and Trade (GATT). It is the basic reason that we seek improvement in the working of the organization, after almost 30 years in which it has functioned as the rulemaker for international trade.

There are, of course, other forums where international trade, including agricultural products, comes under discussion. The Food and Agriculture Organization of the United Nations, the International Wheat Agreement meetings in London, the Organization for Economic Cooperation and Development in Paris, and many ad hoc groups—all help to create the environment of international trade. But the GATT, with 105 member nations (83 full, 3 provisional, and 19 de facto) accounts for 85 percent of

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Based on remarks at Second Annual Central Valley Agricultural Export Conference, Stockton, Calif., November 3, 1976.

World's Canned Pineapple Output and Trade Slump

Contrary to expectations, world canned pineapple production, as well as trade, has declined since 1971. Production and freight costs have driven up the price of canned pineapple, and unfortunately in most major markets—except the United States—canned pineapple seems to be regarded as a semiluxury item, for which demand is highly price-elastic, according to a report published by the Food and Agriculture Organization of the United Nations (FAO).

The result is that world production of canned pineapple has declined 6.4 percent, from 826,870 metric tons in 1974 to an estimated 774,000 tons in 1975.[1] Nor are spectacular gains expected in 1976.

The reduction in world canned pineapple output is mainly due to a decrease in cultivated area in Hawaii. Production there has been declining by roughly 9 percent annually since 1971. This decline was not unexpected, however, as the process of urban encroachment on pineapple area has been long-term. But production in other pineapple producing areas of the world has not risen to the extent previously anticipated, undoubtedly due to uncertainty regarding market outlets.

Costs of production—particularly of canning material—and freight rates have risen substantially in the past 3 years, and cost-induced price increases have come at a time of general economic recession.

Pineapple processing industries vary significantly from country to country, particularly in the extent to which they coordinate the output of fresh fruit to cannery intake requirements, the suitability of varieties for canning, the degree of mechanization, and extraction rates, which range from 20 to 50 percent.

Producers of canned pineapple can be classified in two groups—the export-oriented countries, which account for roughly 60 percent of world trade and the group whose outlets are mainly confined to the domestic market. The first group comprises the Philippines, Thailand, Malaysia, Republic of China (Taiwan), Ivory Coast, Mexico, Kenya, and South Africa. The domestically oriented countries include the United States, Australia, Japan (Ryukyu Islands), and the islands of Martinique and Guadeloupe.

[1] **Figures for some countries given by FAO differ from those reported by FAS and its attaches.**

The FAO report examined all aspects of the canned pineapple industry—production, imports, consumption, and prices.

Producers. Hawaii is still the world's largest canned pineapple producer, but urbanization and the associated high cost of land and labor have resulted in a decline in area. As a result, some major pineapple companies have switched supply sources to the Philippines, Thailand, and Kenya. Even so, FAO estimates U.S. production of canned pineapple and products to be still nearly 100,000 tons higher than the nearest competitor, despite a 12 percent drop in production in 1975 to 250,000 tons, compared with 283,800 tons produced in 1974.

Canned pineapple production in the Philippines more than tripled between 1963 and 1973, becoming the world's second largest producer after the United States and the largest exporter. Production rose steadily from 120,000 tons in 1970 to 152,000 in 1975. The growth pattern of exports, however, was not as steady; exports increased steadily to 117,000 tons in 1971, dipped during the next 2 years, and then rose to 125,000 tons in 1974 and 1975.

The Philippines has reached its current dominant export position in the world market through an advantageous combination of climatic and ecological conditions, competitive labor costs, efficient organization of production and marketing, and high quality of final product.

Canned pineapple in the Philippines is produced and distributed by the national subsidiaries of two major pineapple companies. Their product is marketed under established brand labels that draw quality premiums in all import markets. The Philippines has also benefited from the scaled-down canning operations in Hawaii.

The market opportunities offered by Hawaii's relative decline have also encouraged expansion of Thailand's pine-

apple industry. Assisted by multinationa companies, canned pineapple productio rose to 29,000 tons in 1974. With th opening of two new canneries in 1974 production was expected to reach 40,00 tons in 1975. However, the six Tha canneries are operating well below ca pacity—100.000 tons—owing to agro nomic problems that have retarde efforts to increase fresh pineapple out put for processing.

Production and exports of canne pineapple from Malaysia have decline steadily since the mid-1960's, accordin

Top: Farmers in Taiwan display a basket of ripe pineapple. Production in this country has sharply declined. Bottom: Examining pineapple in Mackay, Australia. Most of Australia's production is geared toward the domestic market.

to FAO. This is mainly due to a decline in operations by smallholders, some of whom have switched to other farming activities or moved to urban areas. Smallholdings continue to account for more than 50 percent of total pineapple area, and both yield and quality of fruit delivered to canneries have declined.

In addition, Malaysia has the disadvantage of not being able to produce the popular, smooth Cayenne pineapple grown by major competitors. Malaysia has also suffered from the loss of preference in the United Kingdom market, the traditional outlet for Malaysian pineapple. To stimulate pineapple recovery, the Malaysian Government has introduced replanting subsidies and increased sales promotion efforts in importing countries.

Production in the Republic of China (Taiwan) has declined sharply from the rapid expansion level it once experienced. (Over 86,000 tons were produced in 1970, compared with 40,000 tons in 1975.) The decline, which has been clearly reflected in exports (79,000 tons in 1970, down to 35,000 in 1975), is reportedly due to a dropoff in area and yield and to competition for available supplies from fresh pineapple exporters.

Since 1970, two African producers, Ivory Coast and Kenya, have increased output and exports quite substantially, according to the FAO report. Both countries have been able to take advantage of duty-free access to the European Community (EC).

Ivory Coast is now the top supplier to this market—producing 75,000 tons in 1975—and ranks second in world export listings—exporting 65,000 tons. Future growth rates in Ivory Coast may be gradual, but the pineapple industry in Kenya is still relatively young, and considerable expansion is programed. Production in 1975 is estimated at 30,000 tons, while exports are expected to be 20,000 tons.

Kenyan pineapple production for processing is contracted to a well-established company, and is required to meet the international quality specifications of the company's brand label.

Although South African canned pineapple production has remained fairly stable, exports have declined significantly from the peak of 56,000 tons in 1972 to 44,000 in 1975. Rising production and distribution costs have reportedly reduced profitability, while the industry has experienced marketing problems resulting in excessive stock accumulation. In addition, the loss of United Kingdom preference has been a problem for the industry.

The Mexican processing industry has declined as well, owing to competition from the local fresh fruit market. Growers reportedly receive 50 percent more for fruit sold for fresh consumption than for processing. Production in 1975 is estimated at 17,000 tons, while exports have dropped to 13,000—compared with 18,000 tons exported in 1974.

Australia's production of canned pineapple fluctuated in a generally rising trend until 1974, then declined in 1975 to 28,000 tons as disease reduced the production and quality of fresh fruit. Australian pineapple cannot compete price-wise in world markets, and production is geared to the local market. For example, domestic market returns in 1974 averaged A$104 per ton while those for exports were only A$68 per ton.

The Ryukyu Islands, which have reverted to Japanese sovereignty, have always had an assured outlet in Japan. However, in 1975 demand in Japan weakened, and for the first time the industry had to deal with rising stocks. Production in the Ryukyu Islands in 1975 was 35,000 tons.

Although in terms of world production Martinique's output is relatively small—12,000 tons in 1975—canned pineapple ranks as a third source of export revenue. Recent pineapple production expansion is due to a guaranteed outlet in France, and further expansion will depend on the capacity of the French market to absorb more imports. In Guadeloupe, ecological conditions for growing are good, but pineapple production is small—and canning capacity limited.

Markets. Imports and consumption of canned pineapple in major markets of North America, Western Europe, Japan, and Oceania rose fairly consistently throughout the 1960's and early 1970's according to FAO's report. This increase—particularly strong in Western Europe—has been associated with rising living standards and the growing popularity of convenience foods.

Since 1972, however, FAO reports a decline in canned pineapple imports. The extent of the decline varies among countries, and in some areas there were signs of recovery in 1975. Although substantial increases in costs of production and freight have been blamed in general for the decline, pineapple markets vary significantly. Some markets are basically price markets, while others are essentially quality markets, where price is a

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Australia Aggressively Promotes Farm Exports

By HARLAN J. DIRKS
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Left: Loading wheat for export at Freemantle, Western Australia, where modern equipment can move 600 tcns of wheat per hour from dockside to ship's hold; Right: Sydney meat workers cutting beef carcasses.

AUSTRALIA, heavily dependent on export markets for the bulk of its total farm returns, has developed one of the world's most aggressive and active export promotion campaigns for agricultural commodities.

Australia's exports of farm products during 1975/76 were valued at approximately $5.4 billion—a gain of 11 percent over the year-earlier level—compared with total production value of about $7.5 billion.

However, despite the overall trendline increase in these exports, the agricultural share of the country's total exports has been declining during the past decade because of a sharp rise in the value of mineral exports.

As its foreign marketing programs have expanded, Australia also has altered the basic thrust of these programs. Promotion activities have been turning away from the advertising and trade-fair approach toward more hard-sell programs and activities.

More emphasis is now being placed on servicing export markets through improved communications and technical assistance in the importing countries, holding customers with long-term trade arrangements, and the use of trade missions whose primary objective is to sell.

At the same time, major emphasis has been placed on international trade agreements and the use of diplomatic channels at all levels to keep markets open.

Had Australia not employed its hard-sell programs in 1975, returns from the sale of livestock products could have slipped even more than they did in the subdued world markets of last year.

In 1975, the Australia beef industry faced extremely difficult market conditions. Access to the European Community remained severely restricted, and during the first half of the year the Japanese market was closed to beef imports although quotas have since been issued for limited imports.

Australia's returns from 1975/76 exports, with year-earlier returns in parentheses, were: Wool, $1.3 billion ($1 billion); meat, $8.1 billion ($5.3 billion); total crops $2.5 billion ($2.7 billion); and wheat, $1.2 billion ($1.4 billion).

Australia's competitive position in world markets for agricultural products is restrained by soaring processing and freight costs, the most vulnerable at present being the fresh fruit industry.

Shipping costs now represent over 50 percent of the export market value of the product, and rates are expected to jump another 6 percent during 1976. Other commodities—mainly dairy and meat products—are beginning to be affected by the cost-price squeeze and production may be forced back closer to domestic market needs unless ways can be found to cut costs.

Australia uses a variety of administrative methods and techniques to promote its exports of farm commodities, including the following:

Department of Overseas Trade. Spending by the Department of Overseas Trade (DOT) for export and trade promotion during 1974/75 amounted to about $20 million. The total cost of operating the Trade Commissioner Services in 56 countries was about $13.2 million, of which about half can be attributed to agricultural promotion. The success of Trade Commissioner efforts was particularly notable in the sale of meat to the Mideast and Japan.

In addition, DOT spent some $4.5 million through its Overseas Trade Publicity Committee (OTPC) on such export promotional activities as trade fairs, trade missions, special displays, and other publicity. OTPC also made matching grants of $1.5 million available to agricultural marketing boards—about 20 percent more than in the year earlier.

Export Market Development Grants. A new market development grant scheme—Export Market Development Grants—was started in July 1975 to encourage development and expansion of Australian exports. A budget of $A27.5 million was established for 1975/76. About 3,000 applications for grants had been filed by the end of the

first quarter of calendar 1976.

Agricultural marketing boards are eligible for grants—a right they did not enjoy under the previous scheme.

Export Finance and Insurance Corporation. The former Export Payments Insurance Corporation was replaced in 1975 by the Export Finance and Insurance Corporation (EFIC). In addition to the insurance and guarantee services previously provided by the Export Payments Insurance Corporation, the new export finance division of EFIC facilitates the provision of export finance for medium- and long-term credit sales of machinery and capital equipment and the establishment of lines of credit, especially to developing countries and state trading organizations. EFIC thus supplements the medium- and long-term export financing facilities of trading banks.

EFIC has authority, where appropriate, to match but not lead the financing arrangements provided by overseas government-supported export finance institutions. EFIC may only finance a particular transaction when, in its opinion, it is desirable and the funds would not otherwise be available at reasonable terms and conditions.

Typically, EFIC has supported Australian capital goods exporters in their overseas tenders by blending its funds —provided at concessional interest rates —with funds provided by the trading banks at normal commercial rates of interest. The mix of funds is apportioned so that the blended interest rates approximate the rates offered by foreign competitors.

"Promotion activities have been turning away from the advertising and trade-fair approach toward more hard-sell programs."

Funds for EFIC's export financing operations are made available from the budget on terms determined by the Treasurer that enables the Corporation, where appropriate, to match overseas competition.

The export financing arrangements of EFIC have been of limited use to agriculture, except for breeding stock. However, the marketing boards have made extensive use of short-term export credit insurance, most of it for terms of 12 months or less. The biggest user of export credit insurance has been the Australian Wheat Board.

A summary of the market-development programs and activities of major Australian trade organizations follows:

Australian Meat Board. Japan continued to be the main target of the Meat Board's promotion campaign, even though the market was completely closed during part of the year. Promotion of Australian beef in Japan is to be intensified and again in 1975/76 directed toward generating increased sales of chilled beef.

The USSR continues to draw considerable interest, and several activities have been planned for 1976. Australia sold the Soviets 35,000 tons of beef in 1975, and hopes to expand this volume in 1976.

Opportunities for promotion in the United Kingdom were limited because of restrictions on imports of beef from third countries (outside the European Community) were in effect during the year. Opportunities for export of meat to other EC countries were similarly restricted throughout the year.

Promotion in the Persian Gulf area and in Iran was increased during the year, in step with the growth in exports of sheepmeat and beef and with changes in the type of products shipped and packaging methods.

Australian Wheat Board. During the year, delegations from the Board visited Argentina, Brazil, Canada, Chile, China, Egypt, Indonesia, Japan, Lebanon, Malaysia, Mexico, Peru, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, the United Arab Emirates, the USSR, and the United Kingdom. The main thrust of the Board's promotion effort centers around publication of literature on Australian wheat, trade delegations, trade fairs, overseas offices in London and Tokyo, and technical servicing.

Australian Dried Fruits Control Board. Promotion efforts during the past year included market development programs in the United Kingdom, Japan, and Germany.

Australian Canned Fruits Board. The largest campaign during the past year was mounted in the United Kingdom, where, in conjunction with other commodity marketing boards and the Australian Government, a multiproduct campaign was conducted, using trade and consumer press advertising, a recipe service, and a public relations program.

Apple and Pear Board. Australian apple and pear exports were slightly higher in 1975 than during 1974. Market prices for apples and pears in the United Kingdom and in Western Europe were maintained at record levels, reflecting reduced Northern Hemisphere crops and an apparent willingness on the part of consumers to accept high prices. The United States is an important market for Victorian pears, although shipments during 1975 were well below those of 1974.

"Australia's competitive position in world markets for agricultural products is restrained by soaring processing and freight costs."

Australian Dairy Corporation. Reorganization of the Corporation has been effected to strengthen the marketing of dairy products, especiallly overseas.

Australian Egg Board. Overseas promotion expenditures were increased during the past year.

Australian Honey Board. The leading honey markets were during 1975 were the United Kingdom (U.K.) and the United States. Most of the past year's promotional effort was concentrated in the U.K. and in Japan.

Australian Wool Corporation. The Corporation has been marketing wool under the new powers it received more than a year ago, and it is believed that these new marketing powers have helped in the sale of wool in the past year's depressed world market. Under its new powers the Corporation can design, manufacture, and merchandise woolen products.

Sugar Board. Most overseas market development work consists of technical assistance to foreign buyers and trade missions.

Australian Wine Board. Wine surpluses in Europe and in North and South America have contributed to last year's decline in exports of Australian wine. Higher shipping rates also have had a deterring effect on exports to Canada. Exports to Japan during 1974/75 continued at a satisfactory rate.

U.S. Grain Inspection Agency Protects Buyers

THE NEW FEDERAL GRAIN Inspection Service (FGIS), which was established on November 20, was created to make sure that foreign and domestic buyers of U.S. grain receive the quality and quantity of grain they contract to purchase.

Called for by the U.S. Grain Standards Act of 1976, the new agency should strengthen and improve U.S. grain inspection and weighing systems and end the abuses disclosed in the system in the past year.

The original Grain Standards Act was adopted in 1916 and revised by Congress in 1968. During that period U.S. wheat exports had gone from 4.2 million metric tons in 1916 to 12.8 million in 1968/69 and 30.6 million in 1975/76. Exports of other grains have also risen in this period. This tremendous upsurge in exports exposed certain weaknesses in the system that led to substantial revamping.

Major provisions of the new U.S. Grain Standards Act are:

• **Federal Grain Inspection Service.** Creates the Federal Grain Inspection Service within the Department of Agriculture to administer the grain inspection and weighing program. The Administrator is to be a Presidential appointee, confirmed by the Senate. Initially, the agency will be staffed by the 778-man grain inspection force now employed by the Agricultural Marketing Service.

"...the new agency should strengthen and improve U.S. grain inspection and weighing systems..."

• **Inspection at export locations.** Provides for a system of Federal State inspection at export locations. Although Federal graders will inspect about 75 percent of all U.S. grain exports, qualified State agencies performing export inspections as of July 1, 1976, may be allowed to continue inspection for export under a delegation of authority from the Administrator of the new Federal Grain Inspection Service. All private firms and trade organizations are to be eliminated from inspection at export locations. The changeover is to be made by May 20, 1978, 18 months after the law's effective date. The 10 States eligible to apply for a delegation of export inspection authority: California, Oregon, Washington, Wisconsin, Minnesota, Alabama, Mississippi, Florida, South Carolina, and Virginia. About 25 percent of all U.S. grain exported each year passes through these States.

• **Inspection at inland locations.** For inspection of domestically marketed grain at inland locations, the present arrangement remains essentially in effect. State agencies and private firms will be designated as official agencies to provide inspection services in specific geographic areas. A new provision: the Federal Grain Inspection Service will be able to take over original inspection if an official agency's designation is revoked, until a replacement can be found.

• **Weighing.** All grain that comes into or goes out of any export elevators will be officially weighed under close physical supervision by Inspection Service officials. Export weighing authority can be delegated to any of the 10 States that qualify for export inspection authority. The Federal or State officials will certify the weight of all grain exported. For domestic grain at inland markets, official weighing will be voluntary, in general, with the extent of supervision left to the discretion of the Administrator.

• **Penalties.** Criminal violations will be raised to the levels of felonies and maximum penalties increased to 5 years in prison or a fine of $20,000.

• **Rotation of personnel.** All inspection and weighing personnel, whether employed by the Federal Government or State or private agencies, would be subject to periodic rotation to avoid the development of close relationships with the employees of one elevator.

• **Registration of grain exporters.** Grain firms engaged in the business of buying grain for export and in handling, weighing, or transporting grain for export are required to register. Grain companies violating the Grain Standards Act will be subject to suspension or revocation of their certificates of registration.

• **Conflict of interest.** No inspection agency will be allowed to have any connections with the grain trade. Exceptions are to be allowed only for chambers of commerce, boards of trade, or other civic and nonprofit groups that may have grain trade members, provided the Administrator determines there is no conflict of interest that would jeopardize the integrity of the inspection service. In addition, a full report of any such waiver would have to be submitted to the Agriculture Committees of the Congress.

When exceptions are allowed, the parent body must establish a separate, autonomous committee or board to oversee and supervise the inspection or weighing agency. None of the members of these bodies may have any connection that would lead to a conflict of interest.

• **Oversight.** The Federal Grain Inspection Service is required to report periodically to the Agriculture Committees of Congress on the status of investigatory activity with regard to irregularities and abuses in inspection and weighing practices.

Provision is made to have USDA alert the Agriculture Committees of Congress within 30 days whenever a foreign government registers a reasonably based complaint about the quality of grain received from the United States, or where any large export contract is canceled for any reason.

THE DEPARTMENT'S INVESTIGATORY powers are to be expanded. The Department and the Government Accountin Office will be given access to books and records of inspectio agencies, and periodic audits of these agencies will be required The Department is also authorized to monitor grain shipment overseas.

• **Grain standards.** A thorough study of current grain stand ards will be conducted. Its object will be to set standards t encourage production, maintenance, and delivery of high-qua ity grain that readily meet the end-use requirements of buyer

• **Equipment.** The Administrator is authorized to requi the installation of new grain weighing and handling equipme at export elevators, as needed. Provisions will be made for th periodic testing of all grading, sampling, and weighing equi ment at all inspection points. —THOMAS O. KAY, FA

U.S. Farm Trade Prospects, Problems

Continued from page 5

total world trade. Although it does not extend to the Soviet Union or the People's Republic of China, it does include a number of other centrally planned economies. The GATT has become the single most important forum in multilateral trade.

But GATT, like any other international organization, can be effective only when its members act to support it and make it work. Any time that national self-interest comes into conflict with the organization's objectives, there will be problems. This has happened in the GATT.

The inability of the members to reach decisions on issues involving conflicts between member nations' national policies and GATT rules has prevented the GATT from being as effective as it should be. As a result, the GATT, as the world trading charter, has been systematically eroded. GATT has had little success in dealing with the difficult problems of trade in agricultural and primary commodities. Some countries argue that these problems should be handled differently because production and trade in these commodities are somehow different—they have "special characteristics." However, these special characteristics have never been demonstrated and if GATT rules are not applied to these commodities we risk establishing the principle that *no* rules can apply to these commodities.

Even so, the GATT is worthy of U.S. support and our best efforts to strengthen it. Certainly the Agreement has proven its overall value to the United States in the years since its founding. Certainly, the freer trading world envisaged in 1947 is as desirable today as it was then.

We believe that GATT rules should work to:

- Permit trade between nations to take place at mutual advantage.
- Permit the production efficiencies of one country to be conferred on its customers in other countries.
- Permit the exchange of production and marketing efficiencies on a two-way basis.

In the Multilateral Trade Negotiations our general objective is to assure a world trading system that will allow the United States to continue its market-directed, export-oriented, full-production farm policy.

To this end, we want to improve significantly the conditions of access to the major markets for U.S. agricultural exports. Where this is not possible, our objective is to assure that the conditions of export access and trade are not made worse.

To keep the conditions of access and trade from becoming worse:

- The competitive ability of U.S. producers and exporters must not be undermined by the negotiation of international commodity agreements.
- The expansion of preferential access for our competitors in foreign markets must be offset by improved access to those markets on a most-favored-nation basis.
- Agriculture must be included on the same terms as industry in all multilateral codes and agreements reached in the MTN, such as the code on subsidies and countervailing duties, and the standards code.

It is important that we remember that salesmanship can succeed only where access is permitted—and all of us have a stake in the success of GATT and the trade negotiations now going on in Geneva.

GSP Review Begins Dec. 14

The Trade Policy Staff Committee will hold public hearings in Washington, beginning December 14, on petitions it has received to add commodities to, or to delete commodities from, the list covered by the Generalized System of Preferences (GSP). The Committee will also hear testimony on commodities it is considering, on its own motion, for addition to the GSP list. Persons who wish to testify should submit their requests, and accompanying written briefs, to the Secretary, Trade Policy Staff Committee, 1800 G St. N.W., Washington, D.C. 20506, by December 13.

The Committee has received petitions to add the following agricultural commodities to the GSP list:

Carrots under 4 inches long (TSUS 135.40)
Pearl onions 10/16 inches or less in diameter (TSUS 136.91)
Brussels sprouts (TSUS 1378540)
Strawberry paste and pulp (TSUS 152.7620)
Fresh oranges (TSUS 147.31)
Fresh grapefruit entered between November 1 and July 31 (TSUS 147.16)
Filler tobacco (TSUS 170.20, 170.25, 170.40, and 170.45)
Scrap tobacco (TSUS 170.60)
Other tobacco (TSUS 170.80)

The Committee has received petitions to delete the following agricultural commodities from the GSP list:

Sugar, sirups, and molasses (TSUS 155.20, 155.30, 155.35, and 155.75)

The Committee is considering on its own motion adding the following agricultural commodities to the GSP list:

Birds, whole or plucked only, other than chickens, ducks, geese, guineas, and turkeys (TSUS 105.30)
Birds, plucked, beheaded, and eviscerated, but not cut into pieces, other than chickens and turkeys (TSUS 105.60)
Pepper seed (TSUS 126.71)
Dried chickpeas or garbanzos (TSUS 140.20 and 140.21)
Dried black-eye cowpeas (TSUS 140.25)
Dried lentils (TSUS 140.35)
Dried lupines (TSUS 140.38)
Dried potatoes (TSUS 140.50)
Certain vegetables in salt, brine, or pickled (TSUS 141.75)
Prepared or preserved black currants, gooseberries, lingon or partridge berries, and loganberries (TSUS 146.73)
Fresh grapes entering July 1-February 14 (TSUS 147.64)
Prepared or preserved grapes (TSUS 147.77)
Prepared or preserved plums, prunes, etc. (TSUS 149.28)
Fruit flours except banana and plantain (TSUS 152.05)
Ginger ale, ginger beer, lemonade, etc. (TSUS 166.20)
Tonka beans (TSUS 193.10)

Requests to present oral testimony should state briefly the interest of the applicant in the subject matter, the position to be taken by the applicant, and whether the applicant has filed, or has joined in filing, a petition. Requests should also include the name, address, telephone number, and official position, if applicable, of the party submitting the request, and the person or persons who will present the oral testimony. Requests should include the description and tariff item number of the article/articles in which the requestor has an interest, the subjects to be dealt with and the amount of time he will require.

Written briefs should present, in nonconfidential form, a statement of the position taken, together with supporting arguments. Briefs must be submitted in 20 copies.

Other questions can be directed to the Trade Negotiations Division, FAS, USDA, Washington, D.C. 20250.

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World's Canned Pineapple Output, Trade Slump

Continued from page 7

secondary factor. The FAO report examined developments in individual import markets:

The United States is both the leading producer and importer of canned pineapple in the world. In the early 1970's, Hawaii accounted for three-fourths of total U.S. consumption of 400,000 tons. During this same period, the United States also increased its imports of pineapple from brand suppliers in the Philippines and low-price suppliers in Malaysia and the Republic of China (Taiwan).

The United States has two distinct pineapple markets—the "national brand" or high-quality market, which is predominant, and low-priced competitive market. When total U.S. imports of canned pineapple declined in 1973 and 1974, the decline was entirely in imports of low-priced pineapple from Malaysia and Taiwan. Imports from the Philippines and Thailand continued to rise substantially.

Canned pineapple—even in the high-quality line—has traditionally been competitively priced in the United States. Despite rising costs of production and transport, prices of Hawaiian pineapple f.o.b. U.S. West Coast, remained remarkably stable from 1970 to mid-1974. Even in 1975, despite higher prices, imports of high-quality pineapple continued to rise, offsetting lower Hawaiian availability.

Philippine and Thai pineapple usually sell at the same price as Hawaiian, while private label and other imported pineapple sell at a relatively lower price. Despite the price differential, imports of low-cost canned pineapple declined further in 1975.

The EC accounts for roughly 45 percent of world canned pineapple imports. Import quotas for preserved pineapple exports from developing countries have been incorporated on a temporary basis into the system of generalized preferences. During 1976, the common external tariff on slices, half slices, and spirals of pineapple was lowered from 24 percent to 15 percent, ad valorem, on a total quota to the EC of 28,000 tons. On all other types of the product, the tariff was lowered from 24 percent to 12 percent, ad valorem, on a total EC quota of 30,000 tons.

THE NEW CONCESSIONS should help ease the burden of EC preference on developing country suppliers which are not members of the Lomé Convention.

In contrast to the United States, markets in Western Europe are price rather than quality-oriented. The overall decline in pineapple imports in 1974 and 1975 has been due primarily to the higher asking price for pineapple combined with the impact of the economic recession, according to the FAO report.

West Germany is the largest importer of canned pineapple in Western Europe, importing 72,000 tons in 1975. Peaking in 1972 at 86,000 tons, imports declined sharply in the next 2 years, however, owing to high prices and an unfavorable economic climate.

The United Kingdom's canned pineapple imports have declined by 30 percent over the past 2 years (total imports in 1975 were 42,000 tons) and demand for canned pineapple in 1976 has continued to be weak. This situation exists throughout all of Western Europe, except in France, where demand has increased despite higher prices and strong demand for fresh pineapple.

As a result of higher disposable personal incomes, consumption of canned pineapple in Japan tripled between 1963 and 1973, according to the FAO report. However, by 1974, increases in production and freight costs had brought about a 25-percent price increase for canned pineapple, which caused a strong decline in demand. Imports dropped from 24,400 tons in 1974 to only 15,000 tons in 1975.

Production and import data for other markets are rather limited. Imports into centrally planned countries are still rather small, and usually originate in Cuba and the Democratic Republic of Vietnam. Kenya, however, shipped small quantities in 1975 to these countries. Exports to Near Eastern markets have also begun, albeit on a small scale.

Looking ahead, the FAO report states that prospects for new market entry are not very optimistic—marketing prospects are uncertain, and establishing and operating costs are rather high. Ivory Coast and Kenya seem to be in optimal positions to take advantage of increased market opportunities in Western Europe, particularly in the EC.

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